

# TITLE 20 - DEPARTMENT OF INSURANCE

## 20 CSR 500-1.700 Insurance Coverage on Motor Vehicles and Goods as Loan Collateral

PURPOSE: This regulation is to prevent consumers being subjected to duress and charged excessive premiums for relatively insignificant coverage on articles used as collateral for loans. It is designed to stimulate competition for the benefit of the public and the insurance industry. This regulation was adopted pursuant to section 374.045 and to implement sections 303.200, 365.080, 267.170, 375.936, 379.318, 379.351, 379.470 and 408.280, RSMo (1986).

(1) Scope. This regulation covers the stated insurance aspects of goods and of physical damage to motor vehicles subjected to liens under Chapter 365 (Motor Vehicle Time Sales), section 408.100 (Small Loans) and sections 408.250 - 408.280 (Retail Credit Sales), RSMo (1986). It does not include mobile homes as defined in 20 CSR 500-2.500 nor does it include lenders/vendors' single interest subject to 20 CSR 500-2.400 except where incorporated by reference. Payment of premium by the lender without charge to the consumer shall exempt any such insurance from this regulation.

### (2) Definitions.

(A) Consumer shall include the purchaser in a credit transaction, the mortgagor of newly acquired or previously owned property and the equitable owner of any property subject to a lien within the scope of this regulation.

(B) Goods as used shall mean all tangible chattels, personal and merchandise certificates or coupons exchangeable for this tangible personal property, but shall not include motor vehicles, nonprocessed farm products, livestock, money, things in action or intangible personal property. This term includes personal property which can be or is attached to realty so as to become a fixture whether or not severed or severable.

(C) Loss payable clause shall mean any clause duly filed by the insurer with the Missouri Division of Insurance as added to a policy affording substantial protection.

(D) Motor vehicle shall include any new or used automobile, motorcycle, truck, trailer, semitrailer, truck tractor or bus.

(E) Substantial protection as used is afforded a consumer when the goods are covered by a standard fire policy with extended coverage endorsement or when the motor vehicle is covered by a policy providing collision and comprehensive insurance and both are duly filed with the Missouri Division of Insurance. In these policies, the owner of the property must be protected from his/her risk of casualty loss for the causes covered by these policies and must be sole loss payee absent a loss payable clause. The amount payable to the consumer shall be no less than the actual cash value of the goods or motor vehicle insured.

### (3) Substantial Protection Required.

(A) Lienholders' and/or sellers' interests may be protected only by a standard loss payable clause attached to a policy which substantially protects the consumer's interest in the motor vehicle or goods. No additional premium may be charged for a loss payable clause. Lienholders and/or sellers of motor vehicles or goods may not be listed as additional insureds or appear in any other manner as insureds on an automobile or fire insurance policy where the policy is purchased by the owner of the property insured. These policies may not be written in Missouri.

(B) A motor vehicle is substantially protected only when it is insured for at least its actual cash value and not when it is insured only for a lesser loan amount outstanding upon it or the payoff value of that loan. If both the actual cash value and the payoff amount of the loan are to be used as measures of the benefits payable under a policy, then that policy must pay the greater of these two (2) amounts in case of a total loss. The use

of any policy provision which limits the benefits payable under motor vehicle insurance to the declining loan balance payable only is prohibited except as provided in 20 CSR 500-2.400.

(C) No insurance carrier shall write the following coverages upon vehicles insured by coverage subject to this regulation unless included as part of an insurance policy substantially protecting the interests of the consumer, subject to the provisions of the Department of Economic Development, Missouri Division of Finance insurance regulations: fire, theft and collision and comprehensive (except on vehicles ten (10) years old); towing and labor; and medical payments.

### (4) Consumers' Rights.

(A) The consumer shall not be required to obtain insurance from any particular insurer nor through any particular agent or representative of a company as a condition precedent to the granting of a loan. No insurer shall participate or knowingly allow its agents to participate in such a scheme of requirements.

(B) If the consumer does voluntarily elect to obtain insurance through the lienholder or seller and files no claim against this coverage, s/he shall have thirty (30) days after the date of the loan an unconditioned right to substitute a valid and collectible policy with a loss payable clause in favor of the lienholder or seller for this coverage, if the substitute was in effect on the date of the loan. If s/he elects to make this substitution, the consumer shall receive a full refund of all premiums paid on the policy purchased from the creditor. A consumer shall not be enticed, induced or compelled to cancel a valid existing policy insurance s/he has previously purchased on any motor vehicle or goods later included as collateral in a loan.

(C) The consumer shall have the unconditional right to cancel the insurance at any time upon prepayment of the indebtedness or submission of a valid and collectible loss payable endorsement in favor of the lienholder or seller. The insurer shall then refund the premium to the consumer on a pro rata basis, except when coverage is substituted under subsection (4)(B) of this regulation.

### (5) Rates.

(A) No insurance carrier writing insurance in connection with consumer loans shall charge a rate in excess of the standard rate for this coverage. The standard rate means the rate(s) on file with the Missouri Division of Insurance.

(B) No rate charged for any policy written within the scope of this regulation shall be discriminatory against credit insureds as members of a class compared with insureds having the same hazard who may purchase equivalent coverage independent of the credit transaction. These rates shall not be excessive when viewed in conjunction with any restrictions upon effective competition imposed by any creditor and agent.

(C) No insurance carrier shall write coverage in connection with consumer loans when the premium to be charged for physical damage or property coverage plus the deductible amount set out in the policy exceeds fifty percent (50%) of the value of the collateral so insured.

(D) All premium rates and all schedules of premium rates pertaining to policies of insurance delivered or issued for delivery in this state shall be filed with the director prior to their use in this state. The director shall approve any rate or schedules of premium rates if s/he finds that the rates or schedule of premium rates are reasonable in relation to the benefits provided under the policies of insurance. A premium rate or schedule of premium rates shall be presumed to be reasonable for purposes of this section if the rate or schedule of rates produces or may reasonably be expected to produce a loss ratio of sixty percent (60%) or greater.

(6) Statement Required. No insurer shall write credit-connected insurance within the scope of this regulation unless the consumer executes as part of his/her application for coverage the following statement or similar statement approved by the director of the Division of Insurance: "I understand that I am free to insure my \_\_\_\_\_ (auto, motorcycle or furniture)

with whatever licensed company, agent or broker I may choose; that I may do so at any time after the date of this loan; that I have not canceled existing insurance on my \_\_\_\_\_ if I owned it before this loan; and that this loan cannot be denied me simply because I did not purchase my insurance through the lender or seller."

(7) Training Required. Any insurance company engaging in coverage subject to this regulation shall be responsible for the education and training of its agents operating in connection with credit institutions to insure that they are fully knowledgeable of the contents of this regulation and any other pertinent insurance laws and regulations. Each company shall be responsible for the continuing training and supervision of the activities of its agents placing that business.

(8) Severability Clause. If any section or portion of a section of these rules or their applicability to any person or circumstances is held invalid by a court, the remainder of the rules and the applicability of the provision to other persons or circumstances shall not be affected.

#### **20 CSR 500-2.400 Automobile Vendors'/Lenders' Single Interest**

PURPOSE: This regulation is designed to permit vendors'/lenders' single interest and make that use consonant with the purpose of 4 CSR 190-16.140. This regulation is adopted pursuant to section 374.045, RSMo (1986) and to implement sections 303.200, 365.080, 367.170, 375.936, 379.400, 379.470 and 408.280, RSMo (1986).

(1) Scope. This regulation covers individual vendors'/lenders' single interest, vendors'/lenders dual interest or collateral protection insurance policies sold in connection with a credit transaction.

(2) Consumers' Rights. The debtor or consumer, as defined in 20 CSR 500-1.700, shall be vested by the insurance company with all those rights described in section (4) of that regulation. These specifically include the rights of substitution, free choice of insurer and agent and refund upon cancellation. A full and fair disclosure of those rights must accompany the notice to provide insurance.

(3) Notice Required.

(A) In the event acceptable insurance is not provided by the debtor at or before the consummation of the credit transaction or the provided insurance is canceled, the creditor shall give the debtor written notice of requirement to provide insurance. This notice shall be delivered by first-class mail to the last known address of the debtor or in person and shall contain the following information:

1. That the security instrument requires a specified amount and type of insurance on the collateral, including a loss payable clause for the benefit of the creditor;

2. That this insurance has not been received by the creditor;

3. That the debtor may obtain the required insurance from any agent or broker duly licensed in Missouri s/he may choose and from any company authorized to do business in Missouri;

4. That if the insurance is not received within thirty (30) days, the creditor will obtain insurance to protect the interest of the creditor and charge the debtor, including applicable finance charges at the same rate that the security instrument calls for pertaining to the underlying indebtedness; and

5. That the policy obtained by the creditor will not provide bodily injury nor property damage liability insurance.

(B) This insurance may be from an individual policy or from a policy issued and delivered to the creditor. The individual policy or certificate coverage must be mailed, first class

mail, or delivered in person to the last known address of the debtor, at the time the policy or certificate is issued. This certificate or policy must state in clear language that -

1. No subrogation shall run against the debtor from the insurance company; and

2. In the event of a loss, the insurance company shall pay a minimum of the lesser of the following:

A. The cost of the repair of the collateral less a maximum deductible of two hundred dollars (\$200) computed as a minimum deductible of one hundred dollars (\$100) plus twenty percent (20%) of the next five hundred dollars (\$500);

B. The actual cash value of the collateral; or

C. The outstanding net balance of the credit transaction, provided, however, if the net outstanding balance is less than one thousand dollars (\$1000), then the coverage shall be the lesser of (3)(B)2.A. or B.;

3. Physical damage to the automobile will be covered under the terms of the policy without being predicated upon the default or delinquency of the debtor or the repossession of the vehicle; and

4. The substance in narrative form of the statement in section (6) of 20 CSR 500-1.700.

(C) Each insurance company, reciprocal, interinsurance exchange or other legal entity doing business subject to this regulation shall be responsible for the continuing training and actions of its agents and agencies, as stated in section (7) of 20 CSR 500-1.700.

(4) Policy Requirements. No policy may be used within the scope of this regulation which predicates the insurer's liability upon the default or delinquency in payments by the debtor or upon the repossession of the vehicle. All policies written under it must meet the intent of this regulation to which end the director will consider substance over form in any determination of conformity.

(5) Premium Rates and Schedules of Premium Rates. All premium rates and all schedules of premium rates pertaining to policies of insurance delivered or issued for delivery in this state shall be filed with the director prior to their use in this state. The director shall approve any rate or schedules of premium rates if s/he finds that the rates or schedule of premium rates are reasonable in relation to the benefits provided under the policies of insurance. A premium rate or schedule of premium rates shall be presumed to be reasonable for purposes of this section if the rate or schedule of rates produces or may reasonably be expected to produce a loss ratio of sixty percent (60%) or greater.

#### **20 CSR 500-2.500 Insurance Coverage on Mobile Homes as Loan Collateral**

PURPOSE: This regulation requires certain policy provisions in insurance on mobile homes which are loan collateral. This regulation was adopted pursuant to section 374.045 and to implement sections 365.080, 367.170, 375.936, 379.400, 379.470 and 408.280, RSMo (1986).

(1) Definitions.

(A) Mobile home includes:

1. Mobile home, any manufactured housing unit, transportable on its own chassis, axle and wheels, designed for permanent occupancy when connected to utilities;

2. Travel trailer, any manufactured recreational vehicle, transportable on its own chassis, axle and wheels when towed by a motor vehicle, designed for temporary occupancy, to include a camper trailer; and

3. Motor home, any self-propelled, licensed, registered motor vehicle, designed for use principally on the public right-of-way as a recreational vehicle and designed to provide temporary living quarters including truck-mounted camper units.

(B) Dual interest as used shall mean a policy of insurance in which the interests of the lienholder/vendor and the named insured debtor/borrower are each insured as their interest may appear. Coverage for the debtor shall not be less than the standard fire policy with extended coverage endorsements. Vendors single interest may be written in conjunction with and incidental to a dual interest policy.

(C) Vendors/lenders' single interest shall be an incidental coverage written in conjunction with a dual interest policy. This vendors' single interest coverage may include conversion, secretion, embezzlement, collision and repossession return expense coverages.

(2) Substantial Protection Required.

(A) Vendors/lenders' single interest may not be written on mobile homes as a separate policy. It may only be written as a portion of a dual interest policy protecting the interests of the debtor/borrower and the creditor as they may appear.

(B) Lienholders and/or sellers of mobile homes may not be listed as additional insureds or appear in any other manner as insureds on a policy insuring the mobile home where the policy is purchased by the owner of the mobile home. They may be named in a loss payable clause as a payee or be a payee under the vendors/lenders' single interest portion of that policy.

(C) No policy subject to this regulation may be written unless it covers substantially the actual cash value of the mobile home, except for the vendors/lenders' single interest portion of that policy which may be measured by the loan balance payable.

(3) Consumers' Rights, Rates and Training. Insurers doing business subject to this regulation shall comply with the following sections of 20 CSR 500-1.700 to foster open competition among the insurers: section (4) Consumers' Rights, to include providing full and fair written notice of these rights before the underlying mobile home credit transaction is consummated; section (5) Rates; and section (7) Training Required, to include the proper application of rates to each risk.

(4) Premium Rates and Schedules of Premium Rates. All premium rates and all schedules of premium rates pertaining to policies of insurance delivered or issued for delivery in this state shall be filed with the director prior to their use in this state. The director shall approve any rate or schedules of premium rates if s/he finds that the rates or schedule of premium rates are reasonable in relation to the benefits provided under the policies of insurance. A premium rate or schedule of premium rates shall be presumed to be reasonable for purposes of this section if the rate or schedule of rates produces or may reasonably be expected to produce a loss ratio of sixty percent (60%) or greater.

**20 CSR 600-2.100 Credit Life Insurance and Credit Accident and Sickness Insurance**

PURPOSE: This regulation provides for the regulation of credit life insurance and credit accident and health insurance with penalty provisions. This regulation was adopted pursuant to the provisions of section 374.045, RSMo (1978), and to implement sections 365.080, 375.014, 375.936, 376.405, 376.500 and 408.280, RSMo (1978), and House Bill 610, 79th Mo. Gen. Assembly, 1st Reg. Sess. (1977).

(1) SCOPE. This regulation shall apply to all credit life insurance and all credit accident and health insurance as defined below, except

(A) insurance for which no identifiable charge is made to the debtor;

(B) insurance written in connection with a loan or other credit transaction of more than ten years duration; and

(C) insurance issued as an isolated transaction on the part of the insurer not related to an agreement or a plan for insuring debtors of the creditor.

(2) DEFINITIONS. For the purpose of this regulation the following words shall mean:

(A) "Credit life insurance" means insurance on the life of a debtor written pursuant to or in connection with a specific loan or other credit transaction. This definition shall not be construed as the establishment of credit life as a class of insurance.

(B) "Credit accident and sickness insurance" means insurance on a debtor to provide indemnity for payments becoming due on a specific loan or other credit transaction while the debtor is disabled as defined in the policy. This definition shall not be construed as the establishment of credit accident and sickness as a class of insurance.

(C) "Creditor" means the lender of money or vendor or lessor of goods, services, property, rights, or privileges, for which payment is arranged through a credit transaction or any successor to the right, title or interest of any such lender, vendor, or lessor, and an affiliate, associate or subsidiary of any of them, or any officer, or employee of any of them, or any other person in any way associated with any of them, including a holding company.

(D) "Debtor" means a borrower of money or a purchaser or lessee of goods, services, property, rights or privileges for which payment is arranged through a credit transaction.

(E) "Indebtedness" means the total amount payable by a debtor to a creditor in connection with a loan or other credit transaction.

(F) "Director" means the director of the Division of Insurance.

(G) "Agent" means agent, agency, or broker as defined in section 375.012, RSMo (1978).

(3) LIMIT OF AMOUNT.

(A) The initial amount of credit life insurance shall not exceed the total amount repayable under the contract of indebtedness and, where the indebtedness is repayable in substantially equal installments, the amount of insurance shall at no time exceed the scheduled or actual amount of the unpaid indebtedness, whichever is greater.

(B) Notwithstanding the provisions of subsection (A) of this section, insurance on agricultural credit transaction commitments not exceeding thirty-six months in duration, may be written in an amount equal to but not exceeding the loan commitment on a nondecreasing or level term basis.

(C) Notwithstanding the provisions of this section, insurance on educational credit transaction commitments may be written to include the amount of that portion, if any, of the commitment not advanced by the creditor. In the case of an educational loan commitment insured in accordance with subsection (C) of this section, the amount of each periodic indemnity payment shall not exceed the amount of the commitment divided by the number of months in its term.

(D) The total amount of periodic indemnity payable by credit accident and sickness insurance in the event of disability, as defined in the policy, shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness, and the amount of each periodic indemnity payment shall not exceed the original indebtedness divided by the number of periodic installments or divided by the number of months of its term in the case of an agricultural loan commitment insured under subsection (B) of this section.

(E) The amount charged to a debtor for any credit life or credit accident and sickness insurance shall not exceed the premiums charged by the insurer, as computed at the time the charge to the debtor is determined.

(4) TERM OF POLICY.

(A) The term of any credit life insurance or credit accident and sickness insurance, subject to acceptance by the insurer, shall commence on the date when the debtor becomes obligated to the creditor, except where a group policy provides coverage with respect to existing obligations, the insurance on a debtor, with respect to such indebtedness shall commence on the effective date of the policy. Where evidence of insurability is required and such evidence is furnished more than thirty (30) days after the date when the debtor becomes obligated to the creditor, the term of the insurance may commence on the date on which the insurance company determines the evidence to be satisfactory, and in such event there shall be an appropriate refund or adjustment of any charge to the debtor for insurance. The term of such insurance shall not extend more than thirty (30) days beyond the scheduled maturity date of the indebtedness except when extended without additional cost to the debtor. If the indebtedness is discharged due to renewal or refinancing prior to the scheduled maturity date, the insurance in force shall be terminated before any new insurance may be issued in connection with the renewed or refinanced indebtedness. In all cases of loan termination prior to the scheduled maturity, all credit life and credit accident and sickness insurance shall be terminated and a refund shall be paid or credited as provided in section (5).

(B) Credit life and credit accident and sickness insurance shall, if so provided in the policy, be terminated by reason of repossession of the mortgaged or pledged collateral, the same being security for a specific indebtedness. As used herein, the date of repossession, shall be the date the repossessed collateral is sold by the creditor beneficiary.

#### (5) REFUNDS AND CREDIT.

(A) Each individual policy or group certificate shall provide that in the event of termination prior to the scheduled maturity date of the indebtedness, any refund of an amount paid by the debtor for insurance shall be paid or credited promptly to the person entitled thereto; provided, however, that no refund of less than one dollar (\$1.00) need be made. The formula to be used in computing the refund shall be the "sum of the digits" formula with respect to decreasing term credit life insurance and credit accident and sickness insurance, and the pro rata unearned gross premium with respect to level term credit life insurance.

(B) If a creditor requires a debtor to make any payment for credit life insurance or credit accident and sickness insurance and an individual policy or group certificate of insurance is not issued, the creditor shall immediately give written notice to the debtor and shall promptly make an appropriate credit to the account.

#### (6) REMITTANCE OF PREMIUMS.

(A) If charges to a debtor are made on a single premium basis, the proportionate share of the premium collected by a creditor or agent and due the insurer shall be remitted to the insurer at the time of the collection of premium from the debtor or as soon thereafter as possible. Premiums must be remitted to and received by the insurer no later than thirty days after the end of the month in which the insurance was sold. Retention of any portion of the premium amount due the insurer by a creditor or agent beyond such period shall be considered to be retention for undue periods of time by such creditor or agent.

#### (7) SUBSTITUTION.

(A) When a creditor requires or requests credit life insurance, or credit accident and sickness insurance, as additional security for an indebtedness, the debtor shall be given the option of furnishing the required amount of insurance through existing policies of insurance owned or controlled by him or procuring and furnishing the required coverage through any insurer authorized to transact insurance business in this state. The debtor shall be informed in writing of his right to provide alternative coverage by the creditor before the transaction is completed.

(B) The right to cancel insurance purchased through the creditor and to substitute coverage obtained elsewhere shall continue for the life of the loan with any unused premium returned according to the basis prescribed in subsection (5)(A) hereof.

(C) Failure by an agent or company to allow proper substitution of policies obtained elsewhere may be considered in determining whether or not the company has conducted its business fraudulently within the meaning of section 375.445, RSMo. (1969). It may also constitute a violation of sections 408.280 and 365.080, RSMo (1969), or both.

#### (8) POLICY REQUIREMENTS.

(A) All credit life insurance and credit accident and sickness insurance shall be evidenced by an individual policy, or in the case of group insurance, by a certificate of insurance, which individual policy or group certificate of insurance shall be delivered to the debtor.

(B) Each individual policy or group certificate of credit life insurance, or credit accident and sickness insurance, or any policy or certificate evidencing any combination of credit life and credit accident and sickness insurance shall, in addition to other requirements of law, set forth the name and home office address of the insurer, the name or names of the debtors, the amount paid, if any, by the debtor for credit life and credit accident and sickness insurance, the amount for each type of insurance to be stated separately, a description of the coverage including the amount and term thereof, and any exceptions, limitations or restrictions, and shall state that the benefits shall be paid to the creditor to reduce or extinguish the unpaid indebtedness and, that whenever the proceeds of insurance may exceed the unpaid indebtedness, that any excess shall be payable to the debtor, or to a beneficiary designated by the debtor or in the absence of such designation, to the debtors estate.

(C) The individual policy or group certificate of insurance shall be delivered to the insured debtor at the time the indebtedness is incurred except as hereinafter provided.

1. If the individual policy or group certificate of insurance is not delivered to the debtor at the time the indebtedness is incurred, a copy of the application for the policy or a notice of proposed insurance, signed by the debtor and setting forth the name and home office address of the insurer, the name or names of the debtor, the amount paid, if any by the debtor, for credit life insurance and credit accident and sickness insurance, the amount for each type of insurance to be stated separately, the amount, term and a brief description of the coverage provided, shall be delivered to the debtor at the time the indebtedness is incurred. The application for or notice of proposed insurance, shall also refer exclusively to insurance coverage, and shall be separate and apart from the loan, sale or other credit statement of account, instrument or agreement, unless the information required by this subsection is prominently set forth therein. Upon acceptance of the insurance by the insurer and within thirty days of the date upon which the indebtedness is incurred, the insurer shall cause the individual policy or group certificate of insurance to be delivered to the debtor. The application for or notice of proposed insurance shall state that, upon acceptance by the insurer, the insurance shall become effective as provided in section (4) of this regulation.

(9) PREFILING OF FORMS. All policies, certificates of insurance, notices of proposed insurance, applications for insurance, endorsements and riders delivered or issued for delivery in this state, and the premium rate or the schedule of premium rates pertaining thereto, shall be filed with and approved by the director prior to use.

#### (10) REQUIRED FILINGS.

(A) Experience Reports. Any insurer doing the business of credit life or credit accident and sickness insurance or both in the state of Missouri shall, annually on or prior to June 30th, file with the director a report of its credit life insurance claims experience and its credit accident and sickness insurance claims experience for the immediately preceding calendar year.

Such report shall be filed on forms equivalent to those attached hereto and marked as exhibits to this regulation.

1. Each insurer doing credit insurance business in this state shall submit experience reports as provided in this section for the experience period of each source of business.

2. "Source of Business" means any of the following:

- A. Bank Loans
- B. Retail Installment Sales
- C. Small Cash Loans
- D. Credit Union Loans
- E. Other - Explain and give detailed information if possible regarding type of loan (e.g. Agriculture, Home Development, Mobile Home, etc.)

3. The reports required by this section shall be submitted in the manner prescribed by Exhibits A, B1, B2, C1 and C2 attached to this regulation. Insurers are expected to reproduce the exhibits for use according to their needs.

4. The experience reports required by this section shall replace all other reports of credit insurance experience except for reports required by the National Association of Insurance Commissioners annual statement. The experience reports required by this section are separate and distinct from the NAIC annual statement and are not used in any manner to determine the financial condition of the company, however, these reports reconcile to page 46 of the NAIC annual statement.

(B) Compensation Report. An affidavit must be filed annually by each company writing credit insurance in the state of Missouri, on or prior to June 30th, stating the amount of compensation paid to all creditor agents collectively during the immediately preceding calendar year and stating that compensation was not paid to any creditor agent for the sale of any policy, certificate, or other contract of credit insurance which exceeded forty percent of the rates specified in section 385.070, RSMo (1978) or of the rates subsequently established by the director. Such affidavit shall accompany the report required by subsection (A) of this section. A list of names, addresses, premiums collected by, and amounts of compensation paid to each such agent shall be submitted to the director upon his request.

#### (11) LICENSING.

(A) The following requirements shall apply specifically to insurance subject to this regulation:

1. Where individual (as contrasted to group) credit insurance is utilized, the person in contact with the proposed insured, who offers, solicits, or sells the policy must be licensed as an agent for the company which issues the insurance policy.

2. Where group credit insurance is utilized, the person who sells the group master contract to the creditor must be a licensed agent. Any person who solicits, negotiates, or otherwise procures a policy or policies of credit life insurance or credit accident and sickness insurance or any combination of credit life and credit accident and sickness insurance, including any person who enrolls debtors under a group contract where an identifiable charge is made to the debtor, in connection with a loan or other credit transaction shall be licensed as an agent prior thereto.

(12) SEVERABILITY. If any provisions of any section of this regulation or the application thereto to any person or circumstances is held invalid, such invalidity shall not affect other provisions of that section or application of the regulation which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared to be severable.

### **20 CSR 600-2.110 Revision of Credit Insurance Rates**

PURPOSE: Section 385.070, RSMo 1978, contains schedules of premium rates charged for contracts of credit life and credit accident and sickness insurance which are presumed to be reasonable in relation to the benefits provided under

such contracts. Section 385.070, RSMo 1978, authorized the director of insurance to revise the schedule of presumptively reasonable rates contained therein not sooner than three years after September 28, 1977 based upon the aggregate Missouri credit insurance experience of insurers doing business in this state. This rule implements the provisions of section 385.070, RSMo 1978 by revising the schedules of presumptively reasonable rates so that those rates more closely produce loss ratios of not less than fifty percent (50%) as provided in sections 385.045 and 385.070, RSMo 1978.

(1) It shall be presumed in any review of rates filed with the Director that benefits are reasonable in relation to the premium charged if the premium rates do not exceed the following:

#### (A) Credit Life Insurance

1. Single premium rate - single life decreasing term credit life insurance sixty cents (60) per annum per one hundred dollars (\$100) of initial outstanding amounts of insured indebtedness.

2. Single premium rate - single level term credit life insurance one dollar and ten cents (\$1.10) per annum per one hundred dollars (\$100) of initial outstanding insured indebtedness.

3. Monthly premiums - single life credit insurance, ninety-two cents (92) per one thousand dollars (\$1000) of outstanding insured indebtedness.

4. Single premium - joint life (two (2) lives) - decreasing term credit life, ninety cents (90) per annum per \$100 of initial outstanding amount of insured indebtedness.

5. Monthly premium - joint life (two (2) lives) - decreasing term credit insurance, one dollar thirty-eight cents (\$1.38) per one thousand dollars (\$1000) of outstanding indebtedness.

### **20 CSR 600-2.120 Refund of Credit Insurance Premiums**

PURPOSE: This regulation establishes uniform cancellation procedures to be followed by credit insurers pursuant to the provisions of Section 374.045, RSMo (1978), and Section 385.050, RSMo (1978).

(1) Refunds on policies or certificates of decreasing term credit life and credit accident and sickness shall be determined by using the "sum of the digits" formula.

(2) Refunds on policies or certificates of level term credit life insurance shall be determined by using a pro rata formula.

(3) The number of months for which a premium is earned shall be calculated as follows:

(A) The first months premium may be considered as earned on the first day of coverage.

(B) For cancellations occurring in subsequent months of coverage, each of which shall be deemed to commence on the coverage anniversary date in each successive month and end upon the date immediately preceding the next such anniversary date, and insurer shall adopt either of the following procedures:

1. Consider no premium to be earned until the sixteenth day of the month of coverage at which time it may consider all premium to be earned for that period; or,

2. Consider premium to be earned on a daily basis within the month of coverage.

(4) Any refund of premium shall be paid or credited to the person entitled thereto immediately at the time of cancellation, provided however, that a refund of less than One Dollar (\$1.00) need not be made.

### **20 CSR 600-2.200 Credit Property Insurance**

PURPOSE: This regulation is designed to stimulate open competition among insurers to provide insurance coverage in the credit context at rates which are not unfairly discriminatory or excessive. Where property insurance is sold by a creditor

in connection with the extension of credit, the rate regulating forces of open competition may not operate to control rates and extend benefits. The purpose of this regulation is to designate rate levels for certain coverages above which rates for insurance sold in the credit context will be presumed excessive and unfairly discriminatory under statutory standards. It is solely because of the lack of effective price and product controlling competition that the promulgation of these standards has become necessary to policyholders and the public interest. This regulation was adopted pursuant to the provisions of section 374.045 RSMo (1969) and to implement sections 367.170, 374.190, 375.012, 375.158 and 375.936 RSMo (1969), 379.318 and 379.356 RSMo (Supp. 1973), and 379.470 and 408.280 RSMo (1969).

(1) **SCOPE.** This regulation shall apply to the sale of the designated types of insurance in the credit context, that is, by a creditor to a debtor with a direct charge to the debtor. The manner and method of sale shall be the determining factor of applicability of this regulation.

(2) **DEFINITIONS.** The following terms are hereby defined for use in this regulation:

(A) **Affiliated agent** shall mean any agent or agency of an insurer who receives any employment remuneration from a dealer or lender, or sells insurance primarily to debtors of a dealer or lender group of associated dealers or lenders or whose insurance a dealer or lender controls, directly or indirectly, or regularly designates, recommends, refers or suggests to the buyer that he purchase in connection with the negotiation, execution, extension or renewal of a contract.

(B) **Contract** shall include any credit transaction for household, personal or family use.

(C) **Dealer** shall mean any person who extends credit for household, personal or family use, or any successor to a creditors rights.

(D) **Lender** is any person engaged in the business of making consumer credit loans as defined in section 367.100(2) RSMo (1969) and any assignee of a consumer credit loan agreement to include registrants under chapter 367 RSMo, state banking associations, savings and loan associations, national banking associations to the extent that federal laws do not preempt this regulation, credit unions and any director, officer, employee or agent of such a person.

(E) **Property insurance** as permitted and regulated under this regulation shall mean coverage upon personal property other than automobiles pledged as collateral or security upon a contract as defined herein and shall include only the standard fire policy with coverage attachment, extended coverage endorsement, and replacement cost provision endorsement. Coverages other than those described previously may be included, but no additional premium may be charged for the additional coverages, and the losses sustained as a result of those additional coverages may not be included in the calculation of the loss ratio.

(3) **SALES ONLY THROUGH LICENSED AGENTS.** All sales of insurance, within the scope of this regulation, must be made through licensed agents. All remuneration for the sale of such insurance must be in the form of commission paid directly to the agent or agency by the insurer. Enrollment of debtors of a creditor under a group contract where a direct charge is made to the debtor for the full insurance premium is hereby declared to be the solicitation of or procurement or making of an insurance contract within the meaning of section 375.012 RSMo (1969).

(4) **WRITTEN EVIDENCE OF INSURANCE REQUIRED.** The insurer must deliver to the insured within thirty (30) days after the date of the purchase of the insurance a copy of the policy or the certificate of insurance. This may be done directly or through the insurers agent in the credit institution.

(5) **COVERAGES TO BE SOLD.** Only those coverages defined as property insurance in this regulation may be sold by an insurer through an affiliated agent in connection with any contract as defined herein.

(6) **CONSUMERS RIGHTS.** Each insurer shall grant and no insurer or affiliated agent shall deny any insured the full and free exercise of the following rights:

(A) The consumer shall not be required or coerced to obtain insurance from any particular insurer nor through any particular agent or representative of a company as a condition to entering into a contract. No insurer shall participate or knowingly allow its agents to participate in such a scheme or requirements or coercion.

(B) If the consumer does voluntarily elect to obtain insurance through an affiliated agent, he shall have thirty (30) days after the date of the underlying contract to substitute any insurance policy in effect on the date of that contract for the insurance so purchased, provided he has filed no claim against the coverage and receives a full pro rata refund of all premiums paid directly from the insurer.

(C) Any insurance sold through an affiliated agent must be cancelable by the debtor where insurance is required by the creditor, at any time during the term of the coverage upon substitution of substantially similar coverage; and where insurance is not required by the creditor, the contract shall be cancelable at any time by the debtor.

(D) Any insurance written to secure an underlying contract must be canceled upon the satisfaction or termination of that underlying contract and a refund of unearned premium made to the credit of the insured according to the standard short-rate or pro-rata tables.

(7) **INSURANCE NOT TO EXCEED CONTRACT TERMS.** No insurance sold within the scope of this regulation may exceed in amount of coverage the amount of indebtedness on the underlying contract nor exceed in duration the scheduled term of the underlying contract. Household contents may be insured at their replacement cost up to the original amount of indebtedness.

(8) **INSURANCE SOLD BY A LENDER** (chapter 367 RSMo).

(A) No insurer may issue through an affiliated agent a policy covering security for a loan made under the regulatory authority of chapter 367 RSMo which exceeds the replacement value of the property given as security for the loan or the loan is less than three hundred dollars (\$300.00). If the insured elects to cancel a policy sold in connection with such a transaction, the insurer shall remit directly to the insured any premium refund due.

(B) No insurer shall sell any coverage through an affiliated agent other than the standard fire policy with coverage attachment with extended coverage endorsement and replacement cost provision endorsement.

(C) No affiliated agent may sell personal property insurance on property given as security for a loan which is covered by existing personal property insurance.

(9) **INSURANCE SOLD WITH CREDIT TRANSACTIONS** (chapter 408 RSMo)

(A) No insurer may write coverage through an affiliated agent to be sold in this context in which the amount of coverage exceeds the replacement cost of the goods insured.

(B) No insurer may pay a dealer or by contract grant a dealers interest in the affiliated property insurance which exceeds the original indebtedness under the contract.

(C) No insurer may issue a contract of insurance through an affiliated dealer which covers any goods other than those sold by that dealer under the terms of the contract secured by those goods.

(10) **RATES.** It shall be presumed in any review of rate filed with the director that the benefits are reasonable in relation to the premium charged if the premium rates do not exceed those contained in Exhibit A of this regulation. Any insurer filing rates in excess of those contained in Exhibit A must

demonstrate that its rates [yield] produce or may reasonably be expected to produce a loss ratio of at least sixty percent (60%).

(11) CANCELLATION REFUND COMPUTATION. All refunds of any insurance sold subject to this regulation shall be made upon the standard short-rate or pro rata refund computation tables.

(12) INSURERS REPORTS REQUIRED. Each insurance company writing credit property insurance, as defined herein, shall report all credit property insurance premium and loss information separately as a separate portion of its annual statement on forms equivalent to those attached as Exhibit B.

(13) EFFECTIVE DATE. This regulation shall become effective on November 15, 1975, and all property insurance rates and all forms, including certificates, delivered, issued for delivery or becoming effective as to any insured debtor, on or after November 15, 1975, shall be subject to the provisions of this regulation as of that date, without regard to whether such insurance is issued under an individual policy or a group master policy. The required reports for 1975 shall be compiled for the remainder of the year following this effective date.

(14) SEVERABILITY. If any provision of any section of this regulation or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions of that section or application of the regulation which can be given effect without the invalid provision or application, and to this end the provisions of this regulation are declared to be severable.

## **EXHIBIT A HOUSEHOLD CONTENTS FIRE INSURANCE**

The rate applicable to credit property insurance shall be \$1.85 per \$1,000 of outstanding indebtedness per month. A minimum premium of \$5.00 shall be allowed.